

**VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of Virginia Polytechnic Institute and State University for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- two instances of noncompliance or other matters required to be reported.

We have audited the basic financial statements of Virginia Polytechnic Institute and State University as of June 30, 2008, and for the year then ended and issued our report thereon dated October 29, 2008. Our report is included in the President's Annual Report that the University anticipates releasing in January 2009.

- TABLE OF CONTENTS -

Pages

AUDIT SUMMARY

COMPLIANCE FINDINGS AND RECOMMENDATIONS

1

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

2-3

UNIVERSITY RESPONSE

4-7

UNIVERSITY OFFICIALS

8

COMPLIANCE FINDINGS AND RECOMMENDATIONS

Ensure Title IV Refund Calculations are Accurate

University Student Financial Aid used an incorrect date to calculate refunds of Title IV funds for Spring 2008 student withdrawals. Financial aid office staff used the date of the commencement ceremony (May 10) rather than the last day of exams (May 7) as the official end of the semester. This error caused refund miscalculations for 24 students who withdrew during spring 2008. Had we not brought this to the attention of financial aid office staff, this would have resulted in additional miscalculations when refunds were calculated for students who unofficially withdrew. Financial aid office staff corrected these calculations and used the correct dates in calculating the additional Title IV refunds for the Spring 2008 semester.

Management should implement a secondary review of critical data that financial aid office staff enters into the Banner accounting system to ensure accuracy in the Title IV refund calculations and prevent future errors. We understand financial aid office management plans to review semester beginning and end dates with the Registrar each year as part of the annual system set-up.

Ensure Changes in Enrollment are Reported to the National Student Loan Database System

University Student Financial Aid did not report students who unofficially reduced their attendance to less than half-time enrollment to the National Student Loan Database System (NSLDS). This reporting ensures that students who do not maintain full-time enrollment enter into their grace periods for loan repayment. Reporting these students to the NSLDS also allows other institutions to view the student's loan history and accurately assess their continued eligibility for federal student aid.

We recommend that financial aid office management develop and implement procedures that ensure that all applicable student aid recipients are reported promptly to the NSLDS, including those who unofficially withdraw or otherwise discontinue their attendance. We understand that financial aid office management is continuing to work with the University Registrar and other University departments as well as with the federal Department of Education to ensure that all students that retroactively or unofficially withdraw are reported promptly. Financial aid office management should also consider performing periodic self-audits to ensure that procedures have been improved and are working properly to prevent future occurrences of non-compliance.



Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

October 29, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
Virginia Polytechnic Institute and
State University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 29, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that

adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal controls over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards entitled "Ensure Title IV Calculations are Accurate" and "Ensure Changes in Enrollment Data are Reported to the National Student Loan Database System," which are described in the section titled "Compliance Findings and Recommendations."

The University's response to the findings identified in our audit is included in the section entitled "University Response." We did not audit the University's response and, accordingly, we express no opinion on it.

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on October 29, 2008.

AUDITOR OF PUBLIC ACCOUNTS

JHS/wdh



November 25, 2008

Mr. David A. Von Moll
State Comptroller
Department of Accounts
P. O. Box 1971
Richmond, VA 23218-1971

Dear Mr. Von Moll:

Enclosed are the university's responses to the June 30, 2008 audit findings by the Auditor of Public Accounts (APA). Copies of these responses are being provided to the APA, the Director of Planning and Budget, and the Secretary of Education as required by Section 10205 of the CAPP manual.

Please contact me if additional information is needed.

Sincerely,

M. Dwight Shelton, Jr.
Vice President for Finance and
Chief Financial Officer

Enclosures

cc: Thomas R. Morris, Secretary of Education
Richard D. Brown, Director of Planning and Budget
Walter J. Kucharski, Auditor of Public Accounts
Kenneth E. Miller, University Controller

VIRGINIA TECH
INITIAL RESPONSES TO THE AUDITOR OF PUBLIC ACCOUNTS
2008 MANAGEMENT LETTER

1. Ensure Title IV Refund Calculations are Accurate

A. Summary of Auditor's Comment.

University Student Financial Aid used an incorrect date to calculate refunds of Title IV funds for spring 2008 student withdrawals. Financial aid office staff used the date of the commencement ceremony (May 10) rather than the last day of exams (May 7) as the official end of the semester. This error caused refund miscalculations for 24 students who withdrew during spring 2008. Had we not brought this to the attention of financial aid office staff, this would have resulted in additional miscalculations when refunds were calculated for students who unofficially withdrew. Financial aid office staff corrected these calculations and used the correct dates in calculating the additional Title IV refunds for the spring 2008 semester.

Management should implement a secondary review of critical data that financial aid office staff enters into the Banner accounting system to ensure accuracy in the Title IV refund calculations and prevent future errors. We understand financial aid office management plans to review semester beginning and end dates with the Registrar each year as part of the annual system set-up.

B. Summary of Corrective Action.

University Scholarships and Financial Aid will include a comprehensive review each spring of all dates for the new award year set-up based on the University's academic calendar and the Registrar's actions to maintain the student system that supports Title IV refunds. This review will begin with the 2009-10 award year and be an integral action for initializing all future new award years. Specific attention will be given to each term's beginning and ending dates, modifying the spring term ending date to the last day of exams for purposes of Title IV refund calculations. This modification is necessary due to the University academic calendar policy requiring the commencement date as the last date of the spring term.

Since the 2008-09 system set-up was accomplished in the spring of 2008, a comprehensive review of term beginning and ending dates established in Banner for Title IV refund calculations will be audited prior to the processing of withdrawals during each term in 2008-09 to ensure the correct date is used.

C. Implementation Date.

March 2, 2009

D. Responsible Position.

Director, University Scholarships and Financial Aid

2. Ensure Changes in Enrollment are Reported to the National Student Loan Database System

A. Summary of Auditor's Comment.

University Student Financial Aid did not report students who unofficially reduced their attendance to less than half-time enrollment to the National Student Loan Database System (NSLDS). This reporting ensures that students who do not maintain full-time enrollment enter into their grace periods for loan repayment. Reporting these students to the NSLDS also allows other institutions to view the student's loan history and accurately assess their continued eligibility for federal student aid.

We recommend that financial aid office management develop and implement procedures that ensure that all applicable student aid recipients are reported promptly to NSLDS, including those who unofficially withdraw or otherwise discontinue their attendance. We understand that financial aid office management is continuing to work with the University Registrar and other University departments as well as with the federal Department of Education to ensure that all students that retroactively or unofficially withdraw are reported promptly. Financial aid office management should also consider performing periodic self-audits to ensure that procedures have been improved and are working properly to prevent future occurrences of non-compliance.

B. Summary of Corrective Action.

The University Registrar had reported all official changes in enrollment through the National Student Clearinghouse. This reporting ensured that students who did not maintain at least half-time enrollment properly entered into their grace periods for loan repayment. The university was properly identifying those students who unofficially withdrew or otherwise discontinued their attendance but did not report such unofficial withdrawals manually to the NSLDS.

The University will continue to participate with the National Student Clearinghouse to electronically report all changes in enrollment for students with the exception of unofficially withdrawn students. Unofficially withdrawn students will now be reported by University Scholarships and Financial Aid staff to the

University Registrar for manual updates through the NSLDS. Retroactively withdrawn students are reported through either the National Student Clearinghouse or the NSLDS, depending on the established date of the retroactive withdrawal.

The outlined modifications to existing University procedures will ensure notification to the NSLDS of unofficial withdrawals.

C. Implementation Date.

Completed

D. Responsible Position.

Director, University Scholarships and Financial Aid

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
Blacksburg, Virginia

BOARD OF VISITORS

Jacob A. Lutz, III
Rector

John R. Lawson, II
Vice Rector

Michael Anzilotti	Sandra Stiner Lowe
Beverley Dalton	George Nolen
Ben J. Davenport,	James R. (Jim) Smith
Michele “Shelley” L. Duke	James W. Severt, Sr.
Jr. Robert L. Freeman, Jr.	Philip S. Thompson
L. Bruce Holland	Lori L. Wagner

Kim O’Rourke
Secretary to the Board of Visitors

ADMINISTRATIVE OFFICERS

Charles W. Steger
President

M. Dwight Shelton, Jr.
Vice President for Finance and Chief Financial Officer

Mark G. McNamee
Senior Vice President and Provost